

2008-2009 PERFORMANCE PLAN – Sr. Portfolio Manager, Asset Allocation & Risk Mgmt. (R. Mullan)

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Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
10%	Total Fund Performance	Excess return deviation in basis points relative to: Total Fund Performance Benchmark. {SJ1CA1 – CPERST02}	-40 basis points = 0 0 basis points = 1.0 +20 basis points = 1.5
30%	Inflation-linked Asset Class Performance	Excess return in basis points relative to benchmark of: CPI + 4%, lagged one month. {SX2CA1 – CPILAG4}	0 basis points = 0 +30 basis points = 1.0 +50 basis points = 1.5
25%	Infrastructure Program Performance	Excess return in basis points relative to benchmark of: CPI + 5% lagged one month. {SWGM – CPILAG5}	0 basis points = 0 +40 basis points = 1.0 +60 basis points = 1.5
65%	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	<p>Demonstrate a commitment to leadership and ongoing communication within the Investment Office and in the external investment community as follows:</p> <ul style="list-style-type: none"> • Employee Performance and Development – By 6/30/09 ensure 90% completion rate for annual performance appraisals and employee development plans. • Employee Mentoring and Recognition – By 6/30/09, take proactive steps to coach and mentor employees, provide succession planning, and acknowledge staff (e.g. through activities such as providing training and development opportunities, holding recognition events, and effectuating the transfer of knowledge) • 360 Feedback Process – <ul style="list-style-type: none"> • By 12/1/08 begin the individual 360 feedback survey assessment process. • By 2/1/09 identify one to two areas of personal development. • By 6/30/09, participate in all personal coaching sessions provided and complete the development opportunity identified. • Investment Office Strategic Initiatives and Cultural Alignment – Ensure the successful implementation of the strategy and cultural alignment efforts by completing the following: <ul style="list-style-type: none"> • By 9/30/08, identify from our cultural profile an area in which we need to improve our culture and implement an improvement in my area by 3/30/09. 	From Schedule

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
	Leadership, cont.	<ul style="list-style-type: none"> By 12/31/08, participate in a cultural reinforcement session with the Investment Office. By 6/30/09, participate in the implementation of at least one Investment Office strategic initiative. By 6/30/09, contribute to healthy dynamics and cultural alignment in the Investment Office (e.g. by demonstrating productive participation in meetings, communicating across asset classes, and clearly setting and communicating priorities) External Investment Community – By 6/30/09, represent CalPERS in the external investment community through a meaningful and substantive engagement as follows: <ul style="list-style-type: none"> Serve on at least one external board or committee; or Conduct at least one presentation at conference or similar event; or Write an article. Diversity - By June 30, 2009, actively promote and achieve diversity among our investment partners and staff by doing at least two of the following: <ul style="list-style-type: none"> Participate in at least one event designed to recruit staff to CalPERS Participate in at least one outreach, education, or networking event that supports diversity in the public pension fund partner/manager community Identify and gain approval for a diversity related initiative or project in the Investment Office or in the CalPERS enterprise(e.g., identify and implement a new emerging manager program, suggest and obtain approval for an outreach or educational event, identify and eliminate a requirement in an existing program that may serve as an artificial hurdle for new and emerging firms, or identify and implement an expansion or enhancement to an existing diversity program or effort) 	
10%	Systems & Processes	<ul style="list-style-type: none"> Investment Processes – By May 30, 2009, develop written processes for investment screening, evaluation, negotiation, approval, monitoring and reporting; Portfolio Information Systems – By June 30, 2009, commence implementation of a portfolio management information system to support the Program; 	From Schedule
10%	New Investment Commitments	By June 30, 2009, develop an investment plan for the Infrastructure Program and identify, investigate, negotiate and obtain necessary approvals for <i>at least \$500 million</i> of new investment commitments.	From Schedule
35%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	